

June 14, 2016

**Market Commentary:** The SGD swap rates traded downwards yesterday, trading 1-4 bps lower across all tenors. Flows in the SGD corporates were light with better selling in OLAMSP 5.8%'19s, mixed interest in GENSSP 5.13%'49s, UOBSP 4%'49s, CITSP 3.78%'25s, MFCCN 3.85%'26s and CAPLSP 3.8%'24s. In the broader dollar space, the spread on JACI IG Corporates increased by 4 bps to 229bps while the yield on JACI HY Corporates increased by 3 bps to 6.96%. 10y UST yield decreased by 3 bps to 1.61%.

**News Issues:** Fraser Centrepoint Trust priced a SGD50mn 5-year bond at 2.76%, aligned with its initial guidance. The expected ratings are "NR/BBB+/NR". ABC Leasing Glory Capital Ltd. priced a USD500mn 5-year bond at CT5+145bps, tightening from its initial guidance at CT5+170bps. The expected ratings are "NR/NR/A". Wuxi Construction Development Investment Co. has scheduled investor meetings from 15 June onwards for potential USD bond issuance.

**Rating Changes:** Fitch has assigned a "BBB+" issuer default rating to Wuxi Construction and Development Investment Co. Ltd given its linkage with and strategic importance to the Wuxi municipality which mitigates the company's weak financial profile. Outlook is stable. Fitch has affirmed Japan's long term credit rating of "A" and revised its outlook to negative from stable. The revision reflects Fitch's decreased confidence in Japanese authorities' commitment to fiscal consolidation following the decision to delay its scheduled increase in the consumption tax in April 2017 to October 2019. Moody's confirmed its "Baa3" issuer ratings on Wanhua Chemical Group Ltd (diversified chemicals) due to an expected improvement in leverage from better cash flows and lower capital spending. Outlook is negative to reflect some uncertainty on the pace of debt reduction given China's slower operating environment. Moody's upgraded Mitsubishi UFJ Securities Holdings Co. Ltd. (MUSHD) long-term credit rating to "A1" from "A3". Moody's also upgraded the credit rating of MUSHD's subsidiaries Mitsubishi UFJ Morgan Stanley Securities Co. Ltd (MUMSS), Mitsubishi UFJ Securities International Plc. (MUSI) and affiliate Morgan Stanley MUFG Securities Co. Ltd. (MSMS) to "A1" from "A2", thereby aligning the ratings of its parent company, Mitsubishi UFJ Financial Group (MUFG) at "A1". The upgrade and alignment of credit ratings on its subsidiaries reflects Moody's view that MUFG and its major subsidiaries will benefit from the same level of government support.

Table 1: Key Financial Indicators

|                    | 14-Jun | 1W chg (bps) | 1M chg (bps) |                            | 14-Jun   | 1W chg | 1M chg |
|--------------------|--------|--------------|--------------|----------------------------|----------|--------|--------|
| iTraxx Asiax IG    | 148    | 10           | 3            | Brent Crude Spot (\$/bbl)  | 50.35    | -0.40% | 5.27%  |
| iTraxx SovX APAC   | 54     | 3            | 1            | Gold Spot (\$/oz)          | 1,283.19 | 3.17%  | 0.71%  |
| iTraxx Japan       | 69     | 3            | -4           | CRB                        | 192.90   | 0.85%  | 5.67%  |
| iTraxx Australia   | 130    | 5            | -3           | GSCI                       | 381.30   | 0.67%  | 5.41%  |
| CDX NA IG          | 82     | 8            | 0            | VIX                        | 20.97    | 53.63% | 39.43% |
| CDX NA HY          | 102    | -1           | 0            | CT10 (bp)                  | 1.610%   | -12.71 | -9.05  |
| iTraxx Eur Main    | 82     | 9            | 4            | USD Swap Spread 10Y (bp)   | -13      | 0      | 1      |
| iTraxx Eur XO      | 350    | 34           | 22           | USD Swap Spread 30Y (bp)   | -48      | -1     | 0      |
| iTraxx Eur Snr Fin | 108    | 14           | 9            | TED Spread (bp)            | 40       | 0      | 4      |
| iTraxx Sovx WE     | 29     | 3            | 3            | US Libor-OIS Spread (bp)   | 27       | 0      | 2      |
| iTraxx Sovx CEEMEA | 130    | 1            | -4           | Euro Libor-OIS Spread (bp) | 9        | 0      | 0      |
|                    |        |              |              |                            |          |        |        |
|                    |        |              |              |                            | 14-Jun   | 1W chg | 1M chg |
|                    |        |              |              | AUD/USD                    | 0.738    | -1.03% | 1.28%  |
|                    |        |              |              | USD/CHF                    | 0.963    | 0.28%  | 1.56%  |
|                    |        |              |              | EUR/USD                    | 1.129    | -0.56% | -0.24% |
|                    |        |              |              | USD/SGD                    | 1.356    | -0.32% | 1.02%  |
|                    |        |              |              |                            |          |        |        |
| Korea 5Y CDS       | 63     | 5            | -1           | DJIA                       | 17,732   | -1.05% | 1.12%  |
| China 5Y CDS       | 129    | 9            | 3            | SPX                        | 2,079    | -1.44% | 1.59%  |
| Malaysia 5Y CDS    | 168    | 13           | 12           | MSCI Asiax                 | 492      | -3.10% | 2.79%  |
| Philippines 5Y CDS | 116    | 8            | 4            | HSI                        | 20,513   | -2.07% | 4.02%  |
| Indonesia 5Y CDS   | 201    | 16           | 15           | STI                        | 2,785    | -1.62% | 1.85%  |
| Thailand 5Y CDS    | 122    | 5            | -1           | KLCI                       | 1,630    | -1.17% | 0.09%  |
|                    |        |              |              | JCI                        | 4,807    | -1.81% | 0.96%  |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date       | Issuer                                | Ratings       | Size     | Tenor   | Pricing    |
|------------|---------------------------------------|---------------|----------|---------|------------|
| 13-June-16 | Fraser Centrepoint Trust              | NR/BBB+/NR    | SGD50mn  | 5-year  | 2.76%      |
| 10-June-16 | Hua Han Health Industry Holdings Ltd. | BB-/Ba3/BB-   | USD150mn | 3-year  | 7%         |
| 8-June-16  | Samvardhana Motherson Automotive      | BB+/NR/NR     | USD300mn | 5NC3    | 4.875%     |
| 8-June-16  | Sultanate of Oman                     | BBB-/Baa1/NR  | USD1bn   | 7-year  | MS+245bps  |
| 8-June-16  | Sultanate of Oman                     | BBB-/Baa1/NR  | USD1.5bn | 12-year | MS+320bps  |
| 7-June-16  | ICBC Dubai                            | A/A1/NR       | USD400mn | 5-year  | CT5+140bps |
| 7-June-16  | Republic of Indonesia                 | BB+/Baa3/BBB- | EUR1.5bn | 7-year  | MS+260bps  |
| 7-June-16  | Republic of Indonesia                 | BB+/Baa3/BBB- | EUR1.5bn | 12-year | MS+325bps  |

Source: OCBC, Bloomberg

## Credit Headlines:

Wharf Holdings Ltd (“Wharf”): Wharf has invited companies to submit bids for Wharf T&T, the company’s telecom business. This is according to a Reuters report citing people familiar with the matter. Potential bidders for a deal that could come in at more than USD1bn or 10-11x EBITDA include private equity firms KKR & Co, CVC Capital and TPG Capital Management, Chinese insurers Anbang Insurance and Ping An, and technology conglomerate Tsinghua Unigroup. The Reuters report follows the initiation of a strategic review on the Wharf’s Communications, Media & Entertainment (CME) segment post the release of 2015 results which saw 2015 CME EBITDA down 9% y/y to HKD877mn (5.2% of 2015 EBITDA). According to our estimates, Wharf T&T’s 2015 EBITDA contribution of HKD776mn was 4.7% of total 2015 EBITDA. We believe the potential sale of the Wharf T&T and eventually the entire CME segment will not have a material impact on Wharf’s credit profile, but is mildly credit positive. The potential sale will not have a material impact on Wharf’s earnings ability (4.7% of 2015 EBITDA) going forward while generating immediate liquidity from the proceeds (~USD1bn) and allows the firm to concentrate on its core businesses of property leasing and development. We have a neutral Issuer profile rating on Wharf and a neutral across the Wharf SGD curve. (Reuters, OCBC)

Pacific Radiance (“PACRA”): PACRA has announced that it has entered into arbitration proceedings against two shipyards: Shanghai Waigaoqiao Shipbuilding & Offshore and China Shipbuilding Trading (Shanghai), both collectively known as the “Shipyards”. The arbitration proceedings regard two contracts to build one platform supply vessel each, which were both entered on 08/05/13. The notice of arbitration to the Shipyards follows the rescission of the two contracts for the failure of the Shipyards to deliver the PSVs in accordance to their obligations under the shipbuilding contracts. PACRA intends to claim the refund of the pre-delivery instalments paid to the Shipyard, totally USD10.6mn. The arbitration proceedings are currently in the initial stages. In our view, should the rescission of contracts go through and the initial deposits returned, this would be a credit positive for PACRA as the committed capex relating to these two PSVs will also be removed, improving PACRA’s balance sheet. That said, as things remain preliminary, we will keep our Negative Issuer Profile for now given the still challenging environment for offshore marine. (Company, OCBC)

**Andrew Wong**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 4736  
[wongVKAM@ocbc.com](mailto:wongVKAM@ocbc.com)

**Nick Wong Liang Mian, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[NickWong@ocbc.com](mailto:NickWong@ocbc.com)

**Nicholas Koh Jun Ming**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2533  
[NicholasKoh@ocbc.com](mailto:NicholasKoh@ocbc.com)

**Ezien Hoo**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2215  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.